

CHAPTER V

DEMONSTRATION COSTS

While all three demonstration models showed evidence of success in increasing elderly participation, the costs incurred by each demonstration varied substantially by model. The simplified eligibility demonstration was relatively inexpensive, since monthly costs consist primarily of outreach. The application assistance demonstrations were more expensive because of the monthly costs of providing services to elderly FSP applicants. The commodity alternative benefit demonstrations were the most expensive because of the cost of distributing packages to clients each month. This chapter documents our analysis of both the total costs incurred by, and the relative-effectiveness of, each demonstration.¹

The total costs reflect what a community—comparable in size, circumstances, and resources to a given the demonstration community—could expect to spend in implementing a similar demonstration. However, total costs may not be good predictors of the costs that would be incurred if the demonstrations were replicated in communities of different sizes, circumstances, and resources.

The first section of this chapter describes our approach to estimating costs. The second section presents the total costs of each demonstration, separated into start-up costs and ongoing costs. The third section examines the cost-effectiveness of the demonstrations. The fourth section looks at the costs to the federal government of benefits paid. The fifth section discusses specific cost-savings identified by the demonstrations, and the last section discusses the conclusions drawn from the analysis.

¹ Cost-effectiveness is expressed as the dollar costs per net impact (see Chapter III for discussion of net impacts).

APPROACH TO ESTIMATING COSTS

One initial measure of the costs of the demonstrations is the size of the grant that each demonstration received from USDA to implement the demonstrations (Table V.1). The grants reflect the relative level of effort for each demonstration, with the simplified eligibility demonstration having the smallest grant (\$100,000) and the commodity alternative benefit demonstrations having the largest grants (\$500,000 to \$600,000). However, grant size alone does not reflect the total costs of the demonstration, as some costs were incurred by other organizations in the demonstration communities. For example, in Arizona, the salary of the project coordinator was paid by the state Department of Economic Security. In addition, the grants do not reflect the significant time and money spent designing the demonstrations as part of the grant application process.

Table V.1: USDA Grants to Elderly Nutrition Demonstrations

	Total Grant	Amount of Grant Spent ^a
Simplified Eligibility		
Florida	\$100,000	\$100,000
Application Assistance		
Arizona	310,896	169,896
Maine	344,692	303,124
Michigan	489,650	332,821
Commodity Alternative Benefit		
Connecticut	605,030	377,727
North Carolina	539,846	389,160

^aReflects expenditures through month 21 for Arizona, Michigan, Connecticut, and North Carolina, through month 23 for Florida, and through month 24 for Maine. Several demonstrations continued operating beyond this point in order to make full use of their grant.

To obtain a more complete measure of demonstration costs, we examine the costs *incurred by state and local governments of administering the demonstration*. These costs reflect not only the expenses covered by the demonstration grant from USDA, but other demonstration costs as well. These costs include:

- The costs of designing the demonstration, both as part of the grant application to USDA and during project start-up after the grant was awarded

- The costs of training staff, such as FSP caseworkers and demonstration application assistants (where applicable)
- The costs of equipment purchased, including computers, copiers, leases on vehicles, and, in the commodity alternative benefit demonstrations, freezers
- The costs of travel for application assistants and commodity distribution
- Monthly labor costs of demonstration staff

Estimates of the demonstration costs to state and local governments were derived from interviews with staff from all the types of organizations involved in the demonstrations, including the agencies managing day-to-day operations as well as state and local FSP staff. We also reviewed the demonstrations' financial reports submitted to USDA, counting the time staff devoted to various activities, actual salaries and wage information, plus an estimate of fringe benefit costs to estimate labor costs.² We also used the costs of purchasing goods and services to approximate what it would cost to design, implement, and run a similar demonstration in a locality serving a population of comparable size. It should be noted that the total costs of administering the demonstrations do not include the costs of program benefits; these costs are discussed later in this chapter.

TOTAL DEMONSTRATION COSTS

The total costs of administering the demonstrations were computed as the sum of the start-up costs and the ongoing costs of the demonstration for 21 months. The former are the one-time costs necessary to begin serving clients, and the latter reflect the recurring expenses needed to keep the demonstration operating.

Start Up Costs

Start-up costs include the cost to design the demonstration (much of which was done as part of the grant application process), the cost to prepare for implementation, the cost to train demonstration staff, and the cost of goods and services needed for the demonstration. Some activities, such as the development of outreach materials and the training of staff, occurred both before the start of the demonstration (i.e., before it started serving clients) and after the demonstration began serving clients. We treated costs for the former as start-up costs and for the latter, as ongoing costs.

² In the rare cases in which salary information was not available, salaries of comparable positions were used. Fringe benefits were applied to salaried positions only, using the national fringe benefit rate for state and local government employees in March 2003—43 percent (U.S. Department of Labor 2003). Costs exclude indirect and overhead costs (such as office space) because of difficulties in measuring these costs consistently across sites.

Table V.2: Demonstration Start-Up Costs

	Design, Planning and Equipment				Training				Total Start-Up Costs
	Labor Hours	Labor Costs	Other Direct Costs	Total	Labor Hours	Labor Costs	Other Direct Costs	Total	
Simplified Eligibility									
Florida	950	\$26,045	\$10,000	\$36,045	268	\$5,939	\$887	\$6,826	\$42,851
Application Assistance									
Arizona	411	9,979	47,434	57,413	550	8,174	500	8,674	66,087
Maine	523	14,265	4,042	18,307	466	11,976	1,571	13,547	31,845
Michigan ^a	581	25,924	140,166 ^b	166,090	1,907	12,983	1,171	14,145	180,244
Commodity Alternative Benefit									
Connecticut	492	21,314	97,737 ^c	119,051	202	7,003	0	7,003	126,053
North Carolina	1,940	42,728 ^d	33,100	75,828	0	0	0	0	75,828

Note: All labor costs based on time actually spent. Labor costs include fringe benefits. Not all costs were billed to the demonstrations.

^aLabor hours for Michigan reflected the combined 1,500 hours of training received by 38 volunteer application assistants. If unpaid staff were employed at \$7.13 per hour, the costs of training would have increased by more than \$15,500, bringing the total start-up costs to almost \$196,000.

^bIncludes more than \$130,000 for developing an on-line FSP application.

^cIncludes \$78,000 for changes made to state's data system to accommodate the demonstration.

^dIncludes costs associated with a change in the demonstration service provider during the development phase.

Start-up costs ranged from a low of \$32,000 in Maine to a high of \$180,000 in Michigan (Table V.2). Part of the variation in start-up costs is due to factors associated with the demonstration model (some models are more expensive to start than others). *However, even within a given demonstration model, the magnitude of the costs varied—largely because of the variation in local issues.*

- **In Florida**, a substantial portion of the start-up costs reflects the time spent by state staff designing and implementing the new eligibility procedures, and designing the one-page application. The \$10,000 in direct costs reflects services performed by the demonstration's subcontractor, which included developing outreach materials and planning telephone center procedures. Some time was devoted to training eligibility workers on the new rules.
- **In Arizona**, the bulk of start-up costs reflects the more than \$40,000 in computer hardware and software that was purchased to allow application assistants to prescreen clients for FSP eligibility and to carry out other parts of the application process. Almost \$9,000 was spent to train application assistants.
- **In Maine**, start-up costs reflects time spent designing the demonstration, purchasing equipment for the demonstration (including a copier for the application process), and producing promotional brochures. Almost \$14,000 was spent to train application assistants.
- **In Michigan**, a subcontractor was paid more than \$130,000 to develop the on-line version of Michigan's FSP application. In addition to the subcontractor, demonstration staff devoted a great deal of time to developing an electronic application. A total of 1,500 hours of training for 38 application assistants also contributed to the cost. Because these assistants were volunteers, their time is not reflected in the start-up costs. If these assistants had been paid \$7.13 an hour (the average application assistant wage paid in Arizona and Maine), start-up costs would have increased by \$15,500.
- **In Connecticut**, a large portion of the start-up costs (\$78,000) reflect the approximately 2,000 hours devoted to changing the state's data system so that it would better track demonstration participants in the FSP caseload data. Additional start-up costs cover equipment, such as refrigerators for storing commodities, canvas bags for distributing commodities, promotional materials, a down payment on a lease for a distribution van, and improvements to the storage warehouse. Other costs reflect the time spent designing the demonstration and distribution processes, and time spent training 92 FSP caseworkers on demonstration rules and procedures.
- **In North Carolina**, a significant portion of the start-up costs reflects a change in the community organization used to manage the demonstration and distribute commodities. Before dropping out, the initial organization began

some planning activities and purchased some equipment for the demonstration.³ While identifying a new demonstration partner, the state redesigned many aspects of the demonstration. Additional start-up costs include money spent on refrigerators and freezers for storing commodities (more than \$20,000), a back-up generator, computers, promotional materials, and a down payment on a lease for a distribution van. No formal training was necessary, as the demonstration staff and local FSP staff were directly involved in designing the demonstration.

Ongoing Costs

The ongoing costs of the demonstrations reflect travel, promotional activities, and the salaries and wages of demonstration staff. These costs were computed as the monthly average of the total costs incurred from the month the demonstration began serving clients to the last month that the demonstration was observed for the evaluation. The costs include neither the benefit costs to ongoing cases nor the benefit costs to the FSP for the cases added by the demonstration (these are discussed in a subsequent section).

Average monthly operating costs ranged from a low of \$3,000 in Florida to a high of \$15,000 in Michigan (Table V.3). As indicated below, the factors affecting these costs varied from state to state.

- **In Florida**, the monthly operating costs primarily reflect the activities of the demonstration's outreach organization. These activities include operating the telephone center and preparing outreach materials. The public service announcement expenditures—almost \$7,000 to develop the announcement and air them over three periods—were averaged over the entire demonstration.
- **In Arizona**, the monthly costs primarily reflect the time of the application assistants and the project coordinator. The application assistants were paid \$5.25 an hour. Demonstration staff were reimbursed an average of \$750 each month for the costs of traveling throughout the demonstration counties to provide application assistance.
- **In Maine**, the time of the application assistants and the project coordinator also account for the primary monthly costs. Application assistants were paid \$9.00 an hour.
- **In Michigan**, the monthly costs included two paid staff who worked a combined total of 70 hours per week on the demonstration. Direct costs include a contract with the company that developed the on-line application to provide ongoing assistance (about \$55,000 over 24 months). The direct costs also include about

³ See Nogales et al. (2005) for details.

\$200 per month in travel expenses. The monthly labor hours reflect the time spent on 38 application assistants. Because the application assistants were volunteers, the cost of their time is not reflected in the monthly costs. If these assistants had been paid the average application assistant wage in Arizona and Maine (\$7.13 per hour), monthly costs would have increased by almost \$3,000.

Table V.3: Ongoing Demonstration Costs

	Monthly Costs				Annual Costs
	Labor Hours	Labor Costs	Other Direct Costs	Total Monthly Costs	
Simplified Eligibility					
Florida	8	\$193	\$2,897	\$3,090	\$37,080
Application Assistance					
Arizona	967	10,261	750	11,011	132,132
Maine	516	9,883	400	10,283	123,396
Michigan ^a	780	12,096	3,013 ^b	15,109	181,308
Commodity Alternative Benefit					
Connecticut	505	11,865	1,233	13,098	157,176
North Carolina	365	7,341	1,980	9,321	111,852

^aLabor hours for Michigan reflected the 327 hours of volunteered time per month. The value of this volunteered time was not included in computations of the monthly costs of the demonstration. If paid staff had been paid the average application assistant wage in Arizona and Maine (\$7.13 per hour), the monthly costs of the demonstration would have increased by almost \$3,000 and the annual costs would have increased by \$36,000.

^bIncludes costs of support contract for on-line application.

- **In Connecticut**, the monthly costs include the time of the staff who led the demonstration, provided outreach, and ordered, assembled, and distributed the commodities. Other expenses included about \$250 in travel costs per month and an \$800 monthly payment on the lease for the distribution van.
- **In North Carolina**, the monthly costs included the time of staff who led the demonstration, provided outreach, and organized the distribution process. The demonstration paid the local warehouse (Vocational Trades of Alamance) \$5

per package for workers to assemble the packages. Other costs included a \$480 monthly payment on the lease for the distribution van.

It is noteworthy that the monthly costs for the two commodity alternative benefit demonstrations reflect a different type of service from that provided by the other demonstrations. The other demonstrations served clients at one point in time—during the application process. In the commodity demonstrations, few expenses were associated with the application process, but services were provided to clients every month that they were enrolled in the demonstration.

Total Costs and Costs of Expansion

The total costs of the demonstrations is the sum of the start-up costs and the ongoing costs. After 21 months of operation, the total demonstration costs ranged from a low of \$108,000 in Florida to a high of \$498,000 in Michigan (Table V.4). This variation reflects differences in services provided, the number of clients served, the amount invested in technology, and the storage and distribution equipment.

In terms of services, the simplified eligibility demonstration in Florida was the least expensive since the service was the least labor-intensive. Its ongoing costs associated with outreach and the telephone center were minimal, compared with the ongoing costs in the application assistance and commodity alternative benefit demonstrations.

In terms of technology investment, Michigan incurred substantial costs for the development and maintenance of an on-line application, and Connecticut and North Carolina spent a large portion of funds on adapting the state data system so it could be used track demonstration participants. In these cases, however, these technology costs would not increase significantly if the demonstration were expanded within the state. The opposite is true, however, in the Arizona demonstration, which invested in lap top computers for providing application assistance.

In terms of equipment, Connecticut and North Carolina led the group. During the start-up period, both were the only demonstrations that had to buy refrigerators, freezers, and vans for commodity storage and distribution.

In all demonstrations, there were fixed costs that would not increase if the demonstration expanded and variable costs that would. For example, in Michigan, the costs of developing and maintaining the on-line application would not increase substantially if the demonstration expanded into other counties. However, in North Carolina, the costs of storage and distribution equipment would increase as a result of expansion.

Table V.4: Total Demonstration Costs

		Ongoing Costs		
	Start Up Costs	Per Month	Total, 21 Months	Total Costs
Simplified Eligibility				
Florida	\$42,851	\$3,090	\$64,890	\$107,741
Application Assistance				
Arizona	66,087	11,011	231,231	297,318
Maine	31,845	10,283	215,943	247,788
Michigan ^a	180,244	15,109	317,289	497,533
Commodity Alternative Benefit				
Connecticut	126,053	13,098	275,058	401,111
North Carolina	75,828	9,321	195,741	271,569

^aLabor hours for Michigan reflected the 327 hours of volunteered time per month. The value of this volunteered time was not included in computations of the monthly costs of the demonstration. If paid staff had been paid the average application assistant wage in Arizona and Maine (\$7.13 per hour), the monthly costs of the demonstration would have increased by almost \$3,000 and the costs after 21 months would have increased by \$63,000.

Differences in fixed and variable costs have implications for how costs would increase if the demonstrations were implemented on a larger scale. To examine the role of the fixed and variable costs, we estimated the total costs of expanding each demonstration into one additional, hypothetical site that is assumed to be identical to the existing site.⁴ Then we made the following simplified assumptions about which costs would remain fixed and which would rise:

- **In Florida**, we assumed that the additional costs of training more eligibility workers would be similar to the costs observed in the demonstration sites, and

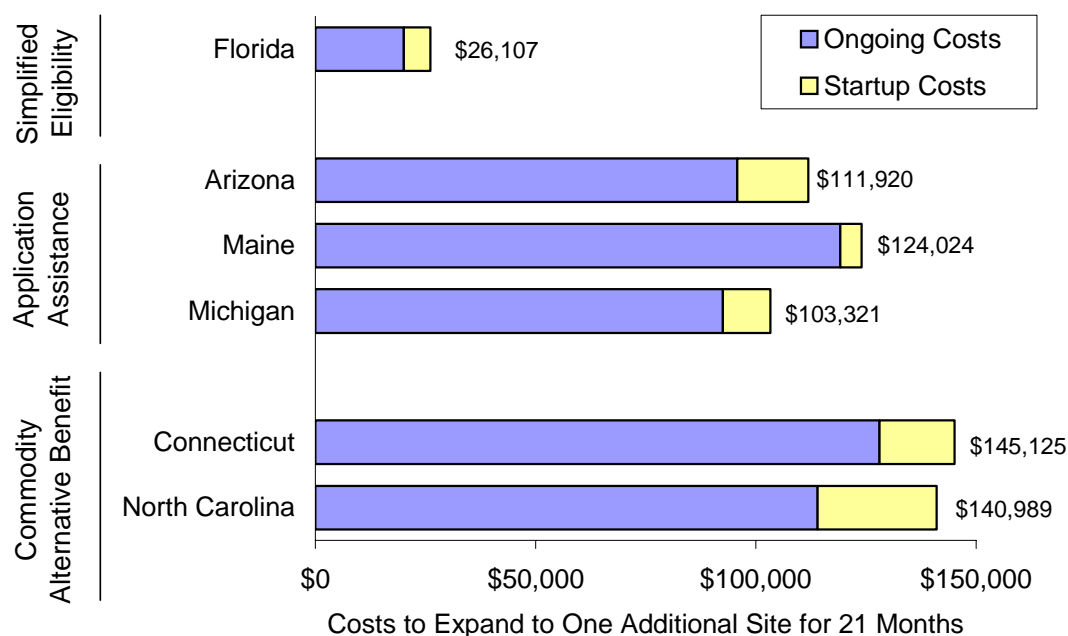
⁴ In Florida and Arizona, where the demonstration was implemented in two counties, we assumed that it would be expanded to a third county exhibiting the combined characteristics of the first two; for Connecticut, which implemented the demonstration in 10 towns, we assumed that the demonstration would be expanded to 10 similar towns.

that ongoing costs for outreach to one additional site would increase by one-third.

- **In Arizona**, we assumed that the cost of training, hardware, and ongoing application assistance would be roughly half that incurred in the two demonstration sites together, and that management costs would increase by 25 percent
- **In Maine**, we assumed that the additional costs for training and for application assistance would be similar to those observed in the demonstration site, and that management costs would increase by 25 percent
- **In Michigan**, we assumed that the costs of developing and maintaining the on-line application would be fixed, but that equipment costs would increase. We also assumed that the additional application assistance costs would be similar to those in the demonstration site, and that management costs would increase by 25 percent
- **In Connecticut and North Carolina**, we assumed that costs for commodity storage and distribution would rise, and management costs would increase by 25 percent

Figure V.1 presents the estimated costs of expanding each demonstration to one additional site for 21 months. In the simplified eligibility demonstration in Florida, expansion would be the least expensive at \$26,000 because of low start-up and ongoing costs. Among the application assistance demonstrations (Arizona, Maine, and Michigan), the one in Michigan would be the least expensive to expand because many of the costs that made it the most expensive application assistance demonstration to develop would not be incurred again. On the other hand, expanding the Maine demonstration would be the most expensive of the three partly because the application assistants in Maine were paid more than those in Arizona or Michigan. Substantial start-up costs would be associated with expanding the Arizona demonstration partly because new lap top computers would be needed for additional application assistants. The commodity alternative benefit demonstrations in Connecticut and North Carolina would cost more to expand than the other demonstrations because of the need to purchase equipment and the costs to assemble and distribute commodities each month.

The hypothetical costs of expanding the demonstrations suggest that expansion costs within a model are similar. In the application assistance demonstrations, expansion costs would range from \$100,000 to \$125,000, and in the commodity alternative benefit demonstrations, they would range from \$140,000 to \$145,000. Despite these similarities, however, the actual expansion costs would be influenced by circumstances unique to each new demonstration site, so the actual costs of replicating these demonstrations in a different site may vary substantially.

Figure V.1: Estimated Costs of Expanding the Demonstrations

COST-EFFECTIVENESS

The objective of the demonstrations was to increase elderly participation in the FSP. We define the cost-effectiveness of the demonstrations as the dollars spent by each demonstration to generate a net impact on elderly participation. While the demonstrations provided services to a large number of elderly individuals, many of those individuals would have participated anyway. Thus, to determine the cost-effectiveness of the demonstrations in light of the central objective, we divided the total costs of operating each demonstration by its impact on participation.

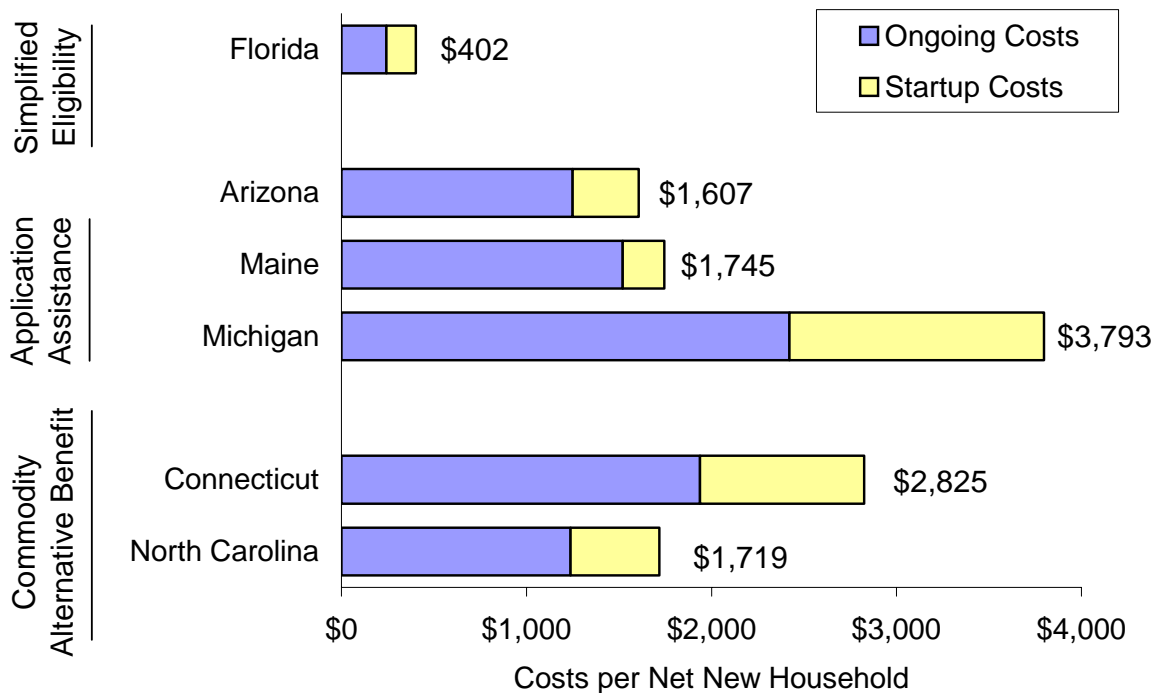
This measure of cost-effectiveness should not be confused with the average costs of providing services to each client. While that measure is informative, as discussed below, it tells only part of the story. It may be inexpensive to provide services to many clients, but if the services do not result in a rise in elderly FSP participation, then they may not be worth the expense. Alternatively, it may be expensive to provide services to many clients, but if these expenses result in a large rise elderly participation, then the money has been well spent.

To compute cost-effectiveness, we divided the total costs by the number of “net new households.” The number of net new households was computed by multiplying the impact of the demonstration (presented in Chapter III) by the elderly caseload at the start of the demonstration. For example, in Maine, 459 elderly individuals were enrolled in the FSP before the demonstration. The observed 30.9 percent impact implies that after 21 months, 142 *net new elderly households* were participating that would not have participated in the absence

of the demonstrations. Thus, our measure of cost effectiveness of the Maine demonstration divides the total costs from Table V.4 (\$247,788) by the number of net new households to obtain the cost per net new household of \$1,745.

Figure V.2 shows the cost-effectiveness of the demonstration. Costs per net new household were lowest in sites that generated relatively large increases in elderly participation. The remainder of this section discusses the cost-effectiveness of each demonstration as well as other meaningful per-client cost estimates for each model.

Figure V.2: Total Demonstration Costs Per Net New FSP Household



Simplified Eligibility

Most costs in the simplified eligibility demonstration in Florida were associated with efforts to simplify the application process and promote FSP participation. According to the impact estimates, a total of 268 net new FSP households per elderly were attracted to the FSP after 21 months of the demonstration (Table V.5). The total demonstration costs—including start-up costs—translated to \$402 per net new household.

Table V.5: Costs Per Net New Household: Simplified Eligibility Demonstration

	Florida
Number of Households	
Net New FSP Households with Elderly ^a	268
Demonstration Costs	
Total Costs, 21 Months	\$107,741
Total Costs per Net New FSP Household	\$402

^aReflects implied number of households attracted to the FSP using the unadjusted participation impact estimates presented in Chapter III.

Application Assistance

After 21 months, the demonstrations prompted net participation increases of 185 households in Arizona, 142 households in Maine, and 131 households in Michigan. The total demonstration costs per net new household were \$1,607 in Arizona, \$1,745 in Maine, and \$3,798 in Michigan (Table V.6). The Arizona demonstration was more cost-effective than the other application assistance demonstrations partly because that demonstration attracted more new elderly FSP households and partly because assistants in Arizona were paid \$5.25 per hour (compared with \$9 per hour in Maine). The per-household costs in Michigan tended to be higher than in the other two application assistance demonstrations because, despite using volunteer application assistants, the demonstration spent more than \$185,000 to develop and maintain software specifically for the demonstration.

The costs of the application assistance demonstrations depend, in part, on the number of elderly households that receive assistance with their applications, regardless of whether they are eligible. Therefore, another meaningful measure of cost-effectiveness in the application assistance demonstrations is the cost per application submitted to the FSP via the demonstration. The monthly costs per application were: \$415 in Arizona, \$301 in Maine, and \$826 in Michigan.⁵ The per-application costs were lowest in Maine partly because of the high reported number of applications submitted through the demonstration.

⁵ Application numbers were self-reported by demonstration staff and cannot be fully verified.

Table V.6: Costs Per Net New Household: Application Assistance Demonstrations

	Arizona	Maine	Michigan
Number of Households			
Applications Submitted Via Demonstration	716	824	600
Net New FSP Households with Elderly ^a	185	142	131
Demonstration Costs			
Total Costs, 21 Months	\$297,297	\$247,788	\$495,622
Total Costs per Application	\$415	\$301	\$826
Total Costs per Net New Household	\$1,607	\$1,745	\$3,798

^aReflects implied number of households attracted to the FSP using the unadjusted participation impact estimates presented in Chapter III.

Commodity Alternative Benefit Demonstrations

The number of net new FSP households attracted by the commodity alternative benefit demonstrations was 142 in Connecticut and 158 in North Carolina. This translates to almost \$2,825 in monthly costs per net new household in Connecticut and \$1,719 in North Carolina (Table V.7). We also estimated the number of packages distributed by the programs over the 21-month study period.⁶ During that time, an estimated 3,462 packages were distributed in Connecticut and 6,000 were distributed in North Carolina. The total cost of the demonstration (excluding the cost of commodities) per package was \$116 in Connecticut and \$45 in North Carolina.

COSTS OF PROGRAM BENEFITS

Another key measure of demonstration costs are the additional FSP benefits were provided to newly participating elderly households. Table V.8 presents the distribution of benefits paid in the demonstration sites in the 21st month of the demonstration. The relevant universe for computing the benefit distribution varies by demonstration model.

⁶ The number of packages was estimated by examining enrollment spells of commodity demonstration participants. Because enrolment information was available every quarter, some assumptions were needed regarding the number of months each enrolled household participated.

Table V.7: Costs Per Net New Household: Commodity Alternative Benefit Demonstrations

	Connecticut	North Carolina
Number of Households		
Estimated Total Packages	3,462	6,000
Net New FSP Households with Elderly ^a	142	158
Demonstration Costs		
Total Costs, 21 Months	\$401,111	\$271,569
Total Costs per Distributed Package	\$116	\$45
Total Costs per Net New Household	\$2,825	\$1,719

^aReflects implied number of households attracted to the FSP using the unadjusted participation impact estimates presented in Chapter III.

- **In the simplified eligibility** demonstration, most pure elderly households entering the FSP after the demonstration started were enrolled via the demonstration. The distribution of benefits was computed over all pure elderly households participating in the 21st month of the demonstration.⁷ The average benefit was \$45, and half of the households received a benefit of \$28 or less.
- **In the application assistance** demonstrations, the distribution was computed over the households that received application assistance and that were participating in the 21st month. The average benefit ranged from \$49 in Maine to \$56 in Michigan. In Arizona, half of the demonstration households received a benefit of \$39 or less; in Maine and Michigan, half received a benefit of \$27 or less.
- **In the commodity alternative benefit** demonstrations, all demonstration households received a fixed-price package (\$46 in Connecticut and \$39 in North Carolina). However, these households tended to be eligible for

⁷ Ideally, we would have liked to examine the distribution of benefits paid to households entering the program after the demonstration started; however, the Florida data did not allow us to determine when households entered the FSP. As a result, we were forced to assume that benefits were distributed similarly for households entering before and after the start of the demonstration. This assumption is supported by evidence presented in Chapter III, which suggests that the benefit distribution did not change substantially after the demonstration started.

substantially less in food stamp benefits. The average FSP benefit that demonstration households would have received in the 21st month was \$16 in Connecticut and \$18 in North Carolina. The majority of households were eligible for only a \$10 benefit.

In the simplified eligibility and application assistance demonstrations, the new costs to the government are the benefits paid to households that would not have participated in the FSP in the absence of the demonstration. But because we cannot determine which households would or would not have participated absent the demonstration, we approximated the new costs by assuming that the net new households in the FSP received the average benefit paid to all households enrolled via the demonstration.

For instance, if we assume that the 268 net new households brought into the FSP in Florida as a result of the demonstration received an average of \$45 each, then the demonstration increased the cost of benefits by \$12,060 (Table V.9). The three application assistance demonstrations increased the cost of benefits from \$7,000 in Maine to \$10,000 in Arizona.

The new benefits paid in the commodity alternative benefit demonstrations come from two sources. The first is the cost of benefits paid to net new households. The second is the cost to provide packages to households that would have participated in the FSP even without the demonstration. The cost of benefits paid to net new households, \$6,500 in Connecticut and \$6,000 in North Carolina, is based on the cost of the commodity packages themselves (\$46 in Connecticut and \$39 in North Carolina). The new cost to the FSP of providing packages to households that would have participated in the FSP even without the demonstration is the difference between the cost of the commodity packages and the benefit the household would have received in the traditional FSP. Our estimate of the number of households that would have participated even without the demonstration is the difference between the number enrolled in the demonstration and the number of net new households (Table V.10). In Connecticut, the number of net new households was greater than the number enrolled in the 21st month, suggesting that the only costs of the demonstration were the costs of providing packages to net new households.⁸ In North Carolina, the number of households enrolled in the demonstration was 157 more than the number of net new households. If these households would have participated in the absence of the demonstration, it is likely that they would have received an average benefit of \$18. Thus, giving them packages that cost \$39 a month led to an additional \$3,000 in program costs (bringing the total costs in North Carolina to over \$9,000).

⁸ The fact that the number of net new households in Connecticut was greater than the number enrolled in the demonstration may reflect imprecision in the impact estimates. It is likely that some demonstration households would have participated in the FSP absent the demonstration. As a result, the \$6,500 in benefits to net new households is an upper-bound estimate of the true cost of the benefits.

Table V.8: Distribution of Benefits Paid to Demonstration Participants in the 21st Month

	Average Benefit	25 th Percentile Benefit	Median Benefit	75 th Percentile Benefit	99 th Percentile Benefit
Simplified Eligibility^a					
Florida	\$45	\$10	\$28	\$70	\$167
Application Assistance^b					
Arizona	54	10	39	80	259
Maine	49	10	27	78	141
Michigan	56	10	27	102	209
Commodity Alternative Benefit^c					
Connecticut ^a	16	10	10	10	116
North Carolina ^a	18	10	10	19	83

^aReflects benefits paid to all pure elderly households in demonstration counties participating in Month 21.

^bReflects benefits paid to elderly households that received application assistance at time of application and that were participating in Month 21

^cReflects the FSP benefit amount that demonstration households were eligible to receive in Month 21 (elderly individuals received commodity packages that cost \$46 in Connecticut and \$39 in North Carolina).

LEVERAGED COSTS AND COST SAVINGS

Each demonstration benefited from cost-savings to one degree or another. In particular, the demonstrations were able to leverage costs by using existing programs and resources to provide services. Some of these leveraged costs are not captured in the cost estimates of the demonstrations:

- **In Florida**, the demonstration subcontracted with Florida Impact, an organization already providing outreach services for the FSP. Demonstration staff used Florida Impact's telephone center to contact elderly individuals who were potential FSP clients. Developing a similar facility from scratch would have raised start-up costs substantially.
- **In Maine**, the demonstration partnered with a large number of other programs that provide assistance to elderly individuals. The demonstration therefore had a large outreach and referral network at its disposal at virtually no cost.

Table V.9: Costs of One Month of Benefits to Net New Households In Month 21

	Average Benefit	Month 21 Net New Households	Month 21 Benefits
Simplified Eligibility			
Florida	\$45	268	\$12,060
Application Assistance			
Arizona	54	185	9,990
Maine	49	142	6,958
Michigan	56	131	7,336
Commodity Alternative Benefit			
Connecticut ^a	46	142	6,532
North Carolina ^a	39	158	6,162

^aReflects the costs to the FSP of the commodity packages.

Table V.10: Costs of Giving Commodity Packages to Households That Would Have Participated Without the Demonstration

	Connecticut	North Carolina
Total Enrolled in Demonstration, Month 21	130	315
Net New Households	142	158
Difference (Households that Would Participate without Demonstration)	-12	157
Commodity Package Cost	46	39
Average Eligible Benefit	16	18
Difference	30	21
Cost of Package to Households that Would Participate without Demonstration	n.a.	3,297

^aReflects the costs to the FSP of the commodity packages.

- **In Michigan**, staff at local senior centers promoted the demonstration, resulting in a no-cost referral network. The fact that the application assistants were volunteers also reduced the demonstration costs.
- **In Connecticut and North Carolina**, the demonstrations partnered with organizations that had ample warehouse space for storing commodities. Had the demonstrations been forced to lease additional space, their costs would have increased.

Anyone interested in achieving the same results in other communities would need to consider whether they could reduce their costs through similar partnerships.⁹

Another example of leveraged costs is payment of application assistants' wages in Arizona and Maine by the SCSEP program. While these wages are captured in our total cost estimates for these two states, it is important to recognize that these administrative services were provided by an existing government program other than the FSP.

Another source of cost savings was the time saved by FSP eligibility workers in processing applications. In the simplified eligibility demonstration in Florida, the new rules applied to all pure elderly FSP households applying for food stamps in the demonstration counties. In part because caseworkers did not need to conduct an eligibility interview, the simplified eligibility rules saved between 15 and 25 minutes per application. In the early months of the demonstration, there was a combined total of about 60 applications from pure elderly households received per month in the demonstration counties. If we assume an average of 20 minutes saved per interview, this translates to 20 hours saved per month. Similar time-savings per application were observed in the application assistance demonstrations where caseworkers did not conduct an eligibility interview. In these sites, the time saved applied to demonstration applicants only.

SUMMARY AND CONCLUSIONS

Demonstration costs varied substantially by model. The least costly demonstration was the simplified eligibility demonstration in Florida. It was the least labor-intensive because clients were contacted primarily through a telephone center, and as a result, it would be the least expensive to expand. While the demonstration incurred expenses in outreach, it did not incur the high costs of technological investment observed in other demonstrations. Moreover, by subcontracting with an organization that had a telephone center, the demonstration avoided otherwise substantial start-up costs. As a result of low demonstration costs and a relatively large impact, the Florida demonstration was the most cost-effective one.

⁹ For more details on the partnerships developed in the demonstrations, see Nogales et al. (2005).

The application assistance demonstrations accrued significant labor costs, both in terms of the time logged by the application assistants themselves and the time needed to manage their activities. As a result, the application assistance demonstrations would not benefit substantially from economies of scale if they were expanded. The Arizona and Michigan demonstrations made significant investments in technology. For Arizona, these costs would rise if the demonstration was expanded, but in Michigan, the costs are fixed and would not therefore increase substantially if the demonstration was expanded. Two of the demonstrations, Arizona and Maine, had relatively large impacts on participation and, as a result, were more cost-effective than the Michigan demonstration and than either of the commodity alternative benefit demonstrations.

The commodity alternative benefit demonstrations were the most costly. However, the cost-effectiveness of the North Carolina demonstration is similar to that of the Arizona and Maine demonstrations. While the North Carolina demonstration resulted in relatively large impacts on elderly participation, the costs of labor as well as storage and distribution facilities were significant. These costs would increase if the demonstrations were expanded.

These general conclusions about the cost-effectiveness of the demonstration models may serve policymakers well in their search to bring eligible elderly individuals into the FSP. However, they would also be well-advised to consider the fact that, in any community, the costs to replicate one of these demonstrations may or may not be similar to the costs we observed, as site-specific issues can lead to significant costs or cost-savings in any of the demonstration models.